Del Mar Mesa

Public Facilities Financing Plan and
Facilities Benefit Assessment

Fiscal Year 2006

draft

City of San Diego Planning Department – October 2005

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This information will be made available in alternative formats upon request. To request a financing plan in an alternative format, call the Planning Department, Facilities Financing Section, at (619) 533-3670.

Introduction

Authority

This financing plan implements the improvement requirements set forth in the Del Mar Mesa Specific Plan, which was originally approved by the San Diego Planning Commission on June 20, 1996, and by City Council by Ordinance Number 0-18337 (changes recommended by the Coastal Commission were adopted by Ordinance Number 0-18407 on May 27, 1997).

Update to Financing Plan

On November 18, 2003, by Resolution R-298605, the San Diego City Council (City Council) adopted the Fiscal Year 2004 Del Mar Mesa Public Facilities Financing Plan. This report comprises the comprehensive update of the Financing Plan for Del Mar Mesa. Future updates are anticipated to occur on an annual basis.

Scope of Report

The Fiscal Year 2006 Del Mar Mesa Financing Plan identifies the public facilities that will be needed over the next nine years, during which the full community development is expected. This report also includes the revised **Facilities Benefit Assessment (FBA)** for Del Mar Mesa, as required by City Ordinance O-15318. The FBA is established to provide public facilities which will benefit the Del Mar Mesa community.

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Facilities Benefit Assessment

FBA Procedure

City Ordinance No. O-15318 was adopted by the City Council on August 25, 1980 to establish the procedure for implementing a Facilities Benefit Assessment (FBA). The FBA provides funding for public facilities projects that serve a designated area, also known as the **Area of Benefit**. The dollar amount of the assessment is based upon the collective cost of each public facility, and is equitably distributed over the Area of Benefit in the Del Mar Mesa community planning area.

Methodology of the FBA

The methodology of the FBA is as follows:

1) An FBA **Assessment Roll** is prepared for Del Mar Mesa where each remaining, unimproved parcel or approved map unit in the Area of Benefit is apportioned its share of the total assessment according to the size and anticipated use of the property. Refer to Assessment Listing Description on page 11 for more information on the Assessment Numerical List.

2) Liens are placed on the undeveloped or under-developed portions of the assessed parcels and final map properties within the Area of Benefit. The liens are filed without a specific assessment amount since the owner or developer is responsible to pay, at the time of building permit issuance, only the assessment that applies to the type and amount of development that actually occurs.

3) At the time of Building Permit issuance, the owner of the parcel being developed is assessed as determined by the type and size of the development permitted according to the FBA assessment schedule that is in effect at the time the permit is pulled. Owners/developers are not permitted to pay liens in advance of development.

4) Assessments are collected and placed into a City Special Fund, which accrues its own interest. These funds are used within the Area of Benefit solely for those capital improvements and administrative costs identified in the Del Mar Mesa Public Facilities Financing Plan.

Development Schedule

The development schedule for Del Mar Mesa is based upon the projections of the existing property owners, their land use consultants, and City staff. Indications are that the remaining development of Del Mar Mesa will take place over a four-year period.

The projected schedule of development for Del Mar Mesa is presented in Table 1. In this table, the number of units developed within a year refers to those applications having building permits issued (paid) during the July-to-June fiscal year. Therefore, the number of units developed in 2006 refers to those for which permits were issued, with fees paid, between July 1, 2005 and June 30, 2006.

Since needed facilities are directly related to the community growth rate, construction schedules of facilities are contingent upon the actual development within the community. Therefore, any slowdown in the rate of community development will require a modification of the schedule for providing needed public facilities.

Table 1 Development Schedule

FISCAL YEAR	SFDU1	SFDU2	TOTAL SFDUs	CAC
ACTUAL	97	73	170	0
2003	31	2	33	0
2004	26	12	38	0
2005	23	12	35	28
2006	**34**	**29**	**63**	**0**
2007	82	8	90	0
2008	92	0	92	0
2009	39	0	39	0
TO GO	**247**	**37**	**284**	**0**
TOTAL	424	136	560	28

Timing and Cost of Facilities

The public facilities projects to be financed by the Del Mar Mesa FBA funds are shown in Table 9, beginning on page 27. Included in the table are:

- Project title
- Fiscal year in which construction of the project is expected
- Estimated project costs
- Funding sources.

Project categories include transportation improvements, neighborhood parks and recreation, fire station, libraries, water and sewer, police station and open space. Detailed descriptions of the projects, which are listed in Table 9, can be found on the project sheets beginning on page 33. The FBA also funds the administrative costs associated with the development, implementation, and operation of the FBA program.

Expenditures

The following are three types of expenditures that may be applied against the FBA fund:

1) **Direct payments** for facility costs, including administration of the FBA fund;
2) **Credits** to developers for facilities provided in accordance with Section 61.2213 of the FBA Ordinance; and
3) **Cash reimbursement** to developers for providing facilities exceeding the cost of their FBA obligation pursuant to an approved reimbursement agreement.

Therefore, whether a developer or the FBA fund provides a facility, it is treated as an expense to the fund.

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Projected Land Uses

Projected Land Use

Residential

The anticipated residential development for Del Mar Mesa is estimated at 560 dwelling units. Table 2 lists types and amounts of planned residential development.

Non-residential

The anticipated non-residential development for Del Mar Mesa is estimated to be 28 acres and consists of commercial development. Table 2 lists the types and amounts of planned non-residential development.

Currently, an FBA is expected to be paid on a net acre basis for commercial properties unless superceded by a Development Agreement. In the event that a landowner desires to proceed with development of a portion of the landowner's property, based on a phased development program, which is subject to a lien for the total amount of FBA as provided in Section 61.2210 of the Municipal Code, the landowner may obtain building permits for the development phase after paying a portion of the FBA and making provision for payment of the remainder of the FBA to the satisfaction of the City Manager.

Table 2 Inventory of Land Uses

As of June 30, 2005

Land Use	Actual	To Go	Total
Single-Family Residential Units	276	284	560
Multi-Family Residential Units	0	0	0
Commercial Acres	0	28.0	28.0

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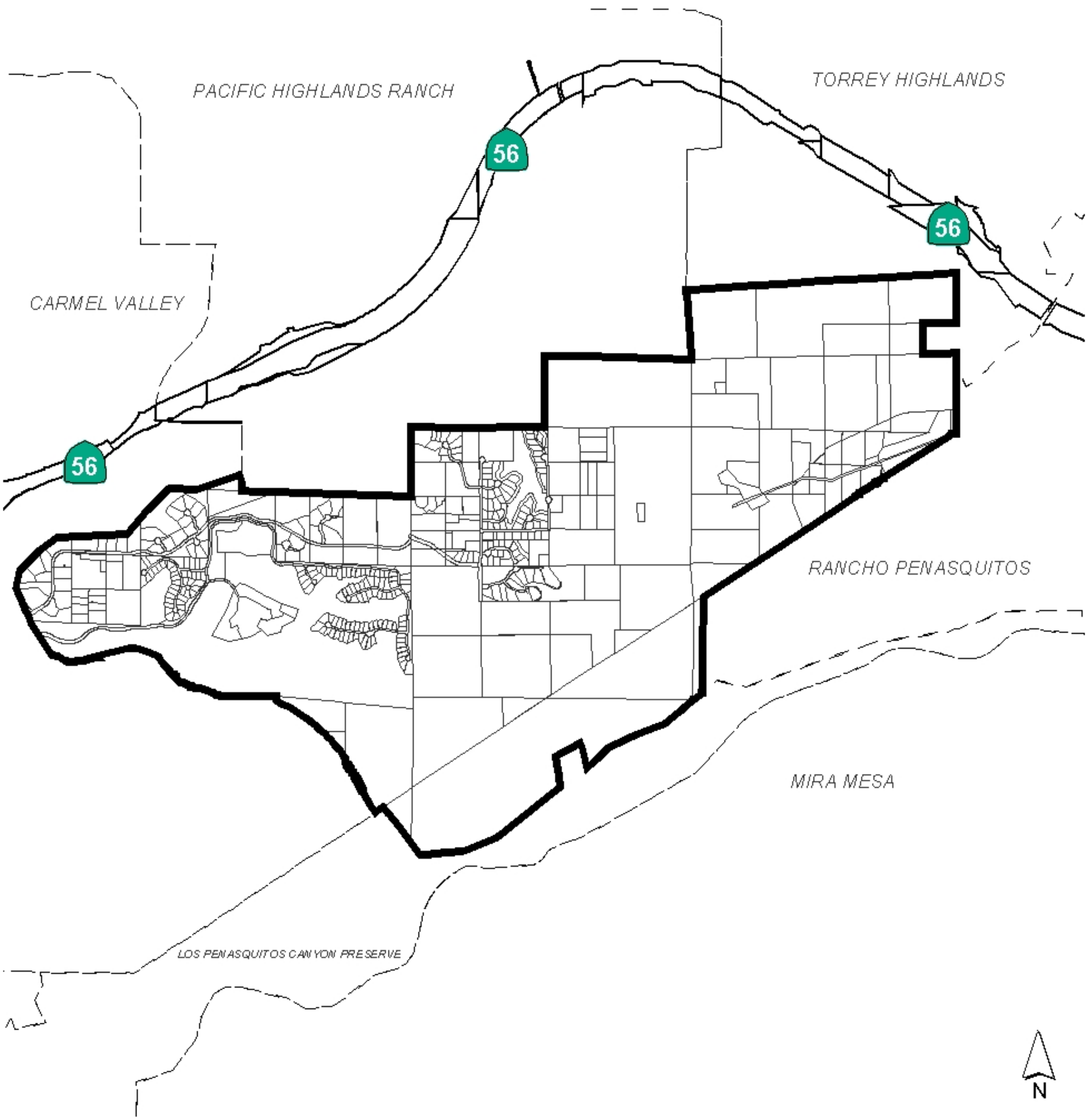
Figure 1

DEL MAR MESA
PROPOSED BOUNDARIES



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Assessments

Assessment Methodology – EDU Ratios

An **Equivalent Dwelling Unit** or **EDU** ratio (factor) has been established for the purpose of spreading the cost of public facilities between the different land use classifications. Equivalent Dwelling Unit ratios have been calculated for each category of facility to be constructed under the FBA because the relationship between land use and the degree of benefit from different public facilities can vary substantially. The single-family dwelling unit (SFDU) is the foundation for all other EDU ratios. Other land use classifications are assigned an EDU ratio per dwelling unit (or acre), proportionate to the respective benefit.

Table 3 provides the EDU ratios or factors used to prepare the Del Mar Mesa Facilities Benefit Assessment.

Table 3 EDU Ratios

CATEGORY	SFDU1	SFDU2	CAC
Neighborhood Parks	1	1	0
Community Parks	1	1	0
Fire Station	1	1	9
Water Trans. Lines	1	1	15
Library	1	1	0
Sewer Trans. Lines	1	1	15
Transportation	1	1	3
Open Space Acq.	1	.8	1
Police Station	1	1	9

SFDU = Single Family Dwelling Unit CAC = Commercial

Assessment Numerical List Description

For each undeveloped map portion or parcel in the Area of Benefit, the Assessment Numerical List includes:

- Parcel number
- Name of the owner (according to the County Assessor's records)
- Number of dwelling units or non-residential acres to be developed (according to the highest and "best use" scenario)
- Assessment amount for each parcel.

Identification numbers in the Assessment List may be non-sequential as a result of the omission of some parcels after assessments are paid, as ownership changes, or as parcels are subdivided. Information on ownership is listed according to the County Assessor's records at the time the Assessment List is prepared, as shown on the last equalized Assessment List, or as otherwise known to the City Clerk; or by any other means which the City Council finds reasonably calculated to apprise affected landowners (Section 61.2205). The current Assessment Listing is shown in the Appendix of this financing plan and begins on page A-2. A legend, or key, for understanding the Assessment Listing is included.

A **Resolution of Designation**, when adopted by the City Council, imposes the Facilities Benefit Assessment in the form of a lien that is placed upon the undeveloped or under-developed portions of the County Assessor parcels and final map properties within the Area of Benefit. The assessments are based upon the type and size of forecasted land use of the highest and "best use" scenario.

The maps, plats, and summary of the Assessment List, all of which define the Area of Benefit, will be delivered to the County Recorder for official recording once the updated Public Facilities Financing Plan is approved by the City Council. Collection of the FBA is to occur at the time of building permit issuance, with payment made directly to the San Diego City Treasurer.

Determination of Assessment Rates

Assessments are calculated and levied against each undeveloped or under-developed parcel based upon the type and size of development, which is expected to occur within the area of benefit. The amount of the Facilities Benefit Assessment (FBA) is determined by using the following information:

- Development schedule (in dwelling units and acres)
- Composite EDU factors for each land use designation
- Schedule of facility expenditures (in FY 2006 dollars) to be financed with monies from the FBA fund
- Annual interest rate of 2% for Fiscal Years 2006 and 2007; 4% for Fiscal Years 2008 through buildout (applied to the cash balance)
- Annual inflation rate of 7% for Fiscal Years 2006 and 2007; 4% for Fiscal Years 2008 through buildout (to determine the future costs of facilities that will be constructed in years beyond FY 2006)
- At the end of each fiscal year (June 30th), unpaid assessments are increased by the inflation factor.

An individual developer will pay an assessment to the FBA fund, based upon the number of units, or acres, developed in a particular year. Pursuant to the terms of a reimbursement agreement with the City, a developer may be issued credits against an assessment for expenditures related to providing facilities in lieu of paying a Facilities Benefit Assessment. An approved reimbursement agreement with the City may also entitle a developer to cash from the FBA fund.

An **assessment rate** is calculated to provide sufficient money to meet the scheduled, direct payments for facilities provided by the FBA fund. The base deposit rate also considers the timing of credits and reimbursements to be paid to developers for FBA funded facilities. Table 4 lists the FY 2006 Facilities Benefit Assessment base deposit rate for Del Mar Mesa.

Table 4 FY 2006 Assessment Rate

LAND USE	ASSESSMENT per UNIT/ACRE in FY 2006 DOLLARS
SINGLE FAMILY (AR-1-1) UNITS	$75,019
SINGLE FAMILY (AR-1-2) UNITS	$70,518
MULTI-FAMILY UNITS	$52,513
COMMERCIAL ACRES	$154,538

Automatic Annual Increases

Facilities Benefit Assessments are evaluated annually and adjusted accordingly to reflect the current economic conditions. In year FY 2007, the proposed increase reflects an inflation rate of 7%; FY 2008 until buildout reflects an inflation rate of 4% per year. An **inflation factor** is used to provide automatic annual increases in the assessment rate and will be effective at the beginning of each fiscal year (July 1 through June 30). The automatic increase provision is effective only until such time as the next annual adjustment is authorized by the San Diego City Council. Thereafter, the subsequent Council-approved annual adjustment will prevail.

Assessments are calculated and levied against each undeveloped or under-developed parcel based upon the type and size of development, which is expected to occur within the area of benefit. The Del Mar Mesa Proposed FBA Schedule in Table 5, page 14, shows the projected rate of assessment for each category of land use during each year of community development. For example, the proposed assessment for a single-family dwelling unit developed during FY 2006 is $75,019. The commercial assessment is $154,538 per acre.

Table 5 Proposed Facilities Benefit Assessment

FISCAL YEAR	$/ SFDU1	$/ SFDU2	$/ MFDU	$/CAC
2006	$75,019	$70,518	$52,513	$154,538
2007	$80,270	$75,454	$56,189	$165,356
2008	$83,481	$78,472	$58,437	$171,971
2009	$86,820	$81,611	$60,774	$178,849
2010	$90,293	$84,875	$63,205	$186,004
2011	$93,905	$88,271	$65,734	$193,444
2012	$97,661	$91,801	$68,363	$201,182
2013	$101,567	$95,473	$71,097	$209,228
2014	$105,630	$99,292	$73,941	$217,598

Cash Flow Analysis

The Del Mar Mesa Cash Flow, Table 8, page 17, presents an analysis of the Del Mar Mesa FBA. For each fiscal year during the development of the community, the cash flow shows the difference between anticipated FBA revenues (including earned interest) and the expected capital improvement expenditures. Interest earnings for cash on hand are compounded and based on an estimated 2% in Fiscal Years 2006 and 2007, 4% in Fiscal Years 2008-2014 annual returns.

The City of San Diego considers historic data while predicting the effect of inflation on construction projects. The Los Angeles/San Diego **Construction Cost Index (CCI)** and the **Consumer Price Index (CPI)** for San Diego are the two indices used by the City while conducting a cash flow analysis. The historical information associated with the Los Angeles/San Diego Construction Cost Index and the Consumer Price Index for San Diego is shown in Tables 6 and 7 on page 15.

Since needed facilities are directly related to the community's growth rate, construction schedules of facilities are contingent upon the actual development within the community. Therefore, any slowdown in community development will require a modification to facility schedules and a new cash flow will be prepared.

Table 6 Los Angeles/San Diego Construction Cost Index

As reported by *Engineering News Record*

YEAR	CCI	% CHANGE/YEAR
1994	6475	1.79%
1995	6517	0.65%
1996	6522	0.08%
1997	6571	0.75%
1998	6673	1.55%
1999	6832	2.38%
2000	7056	3.28%
2001	7073	0.24%
2002	7440	5.19%
2003	7572	1.77%
2004	7735	2.15%
2005	8234	6.45%

Table 7 San Diego Consumer Price Index

YEAR	CPI	% CHANGE/YEAR
1994	154.3	2.59%
1995	156.3	1.30%
1996	159.8	2.24%
1997	163.7	2.44%
1998	166.0	1.41%
1999	171.7	3.43%
2000	179.8	4.72%
2001	190.1	5.73%
2002	195.7	2.95%
2003	203.8	4.14%
2004	211.4	3.73%

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Table 8 Del Mar Mesa FBA Cash Flow

FY	SFDU1	SFDU2	MFDU	CAC	$/SFDU1	$/SFDU2	$/MFDU	$/CAC	INPUT $ PLUS INTEREST	PLANNED CIP $ EXPENSES	NET BALANCE	FY
PRIOR	97	73	0	0								**PRIOR**
2003	31	2	0	0	$43,852	$41,221	$30,697	$90,337				
2004	26	12	0	0	$53,719	$50,496	$37,603	$110,661	$1,847,074	$2,688,236	$1,973,104	**2004**
2005	23	12	0	28	$56,405	$53,020	$39,483	$116,194	$4,846,577	$4,167,060	$2,652,621	**2005**
2006	34	29	0	0	$75,019	$70,518	$52,513	$154,538	$4,634,177	$6,075,300	$1,211,498	**2006**
2007	82	8	0	0	$80,270	$75,454	$56,189	$165,356	$7,222,869	$5,911,200	$2,523,167	**2007**
2008	92	0	0	0	$83,481	$78,472	$58,437	$171,971	$7,782,603	$7,659,489	$2,646,281	**2008**
2009	39	0	0	0	$86,820	$81,611	$60,774	$178,849	$3,517,210	$2,169,960	$3,993,531	**2009**
2010	0	0	0	0	$90,293	$84,875	$63,205	$186,004	$121,940	$1,969,925	$2,145,547	**2010**
2011	0	0	0	0	$93,905	$88,271	$65,734	$193,444	$81,323	$267,874	$1,958,995	**2011**
2012	0	0	0	0	$97,661	$91,801	$68,363	$201,182	$60,762	$919,084	$1,100,673	**2012**
2013	0	0	0	0	$101,567	$95,473	$71,097	$209,228	$44,196	$13,539	$1,131,330	**2013**
2014	0	0	0	0	$105,630	$99,292	$73,941	$217,598	$29,457	$812,443	$348,344	**2014**
TO GO	**247**	**37**	**0**	**0**					**$23,494,537**	**$25,798,814**	**$348,344**	**TOTAL**

Notes:

1) Values are rounded to the nearest dollar.
2) Annual inflation rate is 7% in Fiscal Year 2007; 4% from FY 2008 thru buildout
3) Annual interest rate is 2% in Fiscal Years 2006 & 2007; 4% from FY 2008 thru buildout

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Public Facilities Financing Plan

Purpose

The **Public Facilities Financing Plan** is prepared to ensure that all owners of undeveloped property will pay their fair share of the funding required to finance the community's needed public facilities. The Financing Plan applies to all property owners seeking to develop property, even if the subject property has an approved tentative or final map detailing its development. The Public Facilities Financing Plan includes the following:

- Development forecast and analysis
- Capital Improvement Program
- Fee schedule for a Facilities Benefit Assessment.

This report will update the Public Facilities Financing Plan (PFFP) and the Facilities Benefit Assessment (FBA) for the development that is planned to occur in the community planning area known as Del Mar Mesa.

Development Forecast and Analysis

Development projections are based upon the best estimates of the property owners, developers, and City staff as they judge the future of the land market. Obviously, certain economic factors could adversely affect these development projections. Higher interest rates, higher land and housing prices, an economic recession, and issues involving the transportation thresholds could slow or halt the development rate of Del Mar Mesa. Conversely, a period of robust business expansion could significantly increase the rate of development.

Residential

In the FY 2004 Financing Plan, the anticipated residential development for Del Mar Mesa was estimated at 582 dwelling units. The anticipated residential development has been reduced to 560 dwelling units; the designated best use for 22 parcels was determined to be open space. A list of the types and amount of planned residential development can be found in Table 1 on page 4.

Non-residential

In the FY 2004 Financing Plan, the anticipated non-residential development for Del Mar Mesa was estimated to be 28 acres. The non-residential development forecast remains the same. A list of the types and amount of planned non-residential development can be found in Table 1 on page 4.

Transportation Phasing Plan

The Del Mar Mesa Transportation Phasing Plan is included as an appendix (page A-1) to the Public Facilities Financing Plan. The Transportation Phasing Plan was originally adopted as part of the Del Mar Mesa Specific Plan in 1996. The Phasing Plan was revised as part of the FY 2001 Financing Plan update to provide for an interim development phase allowing issuance of additional building permits prior to completion of Camino Santa Fe. This interim phase, however, is dependent on completion of Carmel Mountain Road.

With this update, the phasing plan has been revised to slightly increase the number of units and ADTs required for access via Carmel Mountain Road (Items 5-7). That portion of Camino Santa Fe located south of SR-56 has been changed to Little McGonigle Ranch Road (Project 43-4).

Capital Improvement Program

Future Public Facility Needs

In order to better serve the Del Mar Mesa community, public facilities are needed in a number of project categories. Those categories include:

- Transportation
- Park and Recreation
- Fire
- Library
- Sewer/Water Lines (Utilities)
- Police
- Open Space

Project locations are depicted in Figure 2 on page 31 and summarized in Table 9 on page 27. Detailed project descriptions can be found in the Capital Improvement Program (CIP) sheets beginning on page 33. The timing associated with individual projects is also summarized in Table 9 and on the corresponding CIP project sheets.

Construction schedules of facilities are contingent upon actual development within the community because needed facilities are directly related to the growth rate of the community. Therefore, any slowdown in community development will require a modification to the schedule in which needed facilities are planned.

Changes to Capital Improvement Project List

Changes other than inflationary increases are outlined below:

43-1 Carmel Mountain Road. Increased funding by $889,694 due to the road traversing more open space and increased construction costs. The timing for reimbursement to the developer has been changed from FY 2006-2008 to FY 2008-2010, based on the rate of development.

43-5C SR-56/Little McGonigle Ranch Road - expansion to a six-lane freeway. Project 43-5B was split into two projects: 43-5B is now SR-56 Debt Service and 43-5C is SR 56 expansion to a six-lane freeway. Increased funding by $567,000 as original cost estimate applied only to the debt service.

43-14 Neighborhood Park. Increased construction funding by $1,000,000 due to change in scope, including the addition of a comfort station, turf and children's play areas.

43-15 Community Park. Increased project funding by $1,180,000 towards the purchase of a 20-acre park in the event joint use with adjacent middle school, which would only require 13 acres, is not approved by the school district.

43-16 Fire Station 47. NCFUA fair share estimates were recalculated based on employment and population, resulting in a decrease for Del Mar Mesa's fair share from 13% to 10.5%.

43-17 Branch Library. Del Mar Mesa's fair share increased by $131,688 due to higher estimated construction costs.

43-26 SR-56 Bike Interchanges. Fair share reduction of $120,372 due to additional contributions from SANDAG and Rancho Penasquitos.

Fee Schedule for Facilities Benefit Assessments

Annual Review

The FBA Ordinance in the Municipal Code (Section 61.2212) provides for an annual adjustment of Facilities Benefit Assessments. The annual review may reflect changes to any of the following:

- Rate and amount of planned development
- Actual or estimated cost of public facilities projects
- Scope of the public facilities projects
- Inflation rates
- Interest rates
- Comparative analysis of City approved discretionary permits

Updated Project Costs

This update includes an analysis by each of the sponsoring City departments of the project costs for each public facility project. The costs estimates shown in this update have been revised and consider the following:

- Impact of inflation
- Competitive bids on similar projects
- Modifications, if any, to the overall scope of the project.

Proposed Fee Schedule

The Del Mar Mesa Proposed FBA Schedule in Table 5, page 14, shows the proposed rate of assessment for each category of land use during each year of community development. The proposed assessment schedule includes an increase of 33% over the rate for FY 2005 due to increased project costs and the impact of inflation.

Financing Strategy

The primary responsibility for providing needed public facilities in Planned Urbanizing Areas lies with the developers according to the General Plan and City Council Policy (Section 600-28). As such, the developers will provide a majority of the needed public facilities for Del Mar Mesa as a part of the subdivision process. Public facility projects that benefit a population larger than the local/adjacent development may be financed by using the following alternative methods:

Facilities Benefit Assessment (FBA)

This method of financing fairly and equitably spreads costs while following the procedures specified in City Council Ordinance O-15318, as adopted on August 25, 1980. A Facilities Benefit Assessment results in a lien being levied on each parcel of property located within the Area of Benefit. The liens ensure that assessments will be collected on each parcel as development occurs and will be renewed annually with each update to the Financing Plan. The liens will be released following payment of the FBA.

Development Impact Fee (DIF)

This method of financing equitably spreads the costs of facilities required by development. A Development Impact Fee does not create a lien on the property for the collection of fees within the Area of Benefit. A Development Impact Fee allows for a credit of existing uses for redevelopment or expansion to a higher intensity use.

Assessment Districts

Special assessment district financing, such as the Municipal Improvement Acts of 1913/1915, may be used as a supplementary or alternative method of financing facilities such as streets, sidewalks, sewers, water lines, storm drains, and lighting facilities. Assessment districts are beneficial in that they provide all of the funding needed for a particular public facility project in advance of the projected development activity. However, assessment districts also create a long-term encumbrance of the benefiting property and require that the funds be repaid over an extended period of time. Assessment districts also require the approval of a majority of the property owners in order to establish the district.

Community Assessment District (CFD)

State legislation, such as the **Mello-Roos Act of 1982**, has been enacted to provide a method of financing public facilities in new and developing areas. A Mello-Roos is also known as a **Community Facility District (CFD)**. The formation of such Community Facility Districts may be initiated by owner/developer petition. Mello-Roos districts also require the approval of a majority of the property owners in order to establish the district, as clarified by Council Policy 800-3.

Developer Construction

With approval of the San Diego City Council, developers may elect to construct some public facility projects in lieu of, or for credit against, paying a Facilities Benefit Assessment (Council Policy 800-12). Facility costs in excess of the FBA fee obligation may be reimbursed to the developer from the FBA fund, subject to the availability of funds and pursuant to the terms of a reimbursement agreement that has been approved by the City Council.

Reimbursement Financing for Water and Sewer Facilities

This method of financing is outlined in Council Policy 400-7. It is commonly used when the first developer/sub-divider in an area is required to construct the necessary water and sewer facilities for an entire developing area. These agreements are approved by the San Diego City Council. Reimbursement to the first developer/sub-divider can occur over a period of time as long as 20 years or until all of the subsequently developed lands have participated in the reimbursement, whichever occurs first.

State/Federal Funding

Certain public facilities may be determined to benefit a regional area that is larger than the community planning area. Such projects may be appropriately funded by either the State, Federal Government, or by a combination of the two. State Route 56 (project 43-5A), for example, has been shown in this financing plan as having state funding.

Cost Reimbursement District (CRD)

Occasionally, a developer/sub-divider is directed to construct public improvements that are more than that which is required to support its individual property/development. A **Cost Reimbursement District** provides a mechanism by which the developer/sub-divider may be reimbursed by the property owners who ultimately benefit from the improvement. Reimbursement is secured by a lien on the benefiting properties with the lien due and payable only upon recordation of a final map or issuance of a building permit, whichever occurs first.

Development Agreement

This method permits a developer to enter into an agreement with the City of San Diego where certain rights of development are extended to the developer in exchange for certain extraordinary benefits given to the City.

General Assumptions and Conditions

In connection with the application of the above methods of financing, the following general assumptions and conditions will be applied:

1. Except for those projects that are identified as FBA funded, developers will be required to provide facilities that are normally provided within the subdivision process as a condition of tentative subdivision map approval. These projects include but are not limited to traffic signals (except as

noted), local roads, and the dedication or preservation of Open Space located within the proposed development(s). A Mello-Roos 1913/1915 Act, or other type of reimbursement district, however, may fund such projects if the project(s) and applicant(s) qualify for this type of project financing.

2. Commercial and industrial land will be assessed FBAs for infrastructure (including transportation), police, fire, and utility facilities. However, developers of commercial and industrial land will not be assessed for park and recreation or library facilities since those facilities primarily serve the residential component of the Del Mar Mesa community. In the future, if a basis is developed for charging non-residential development for the cost of park and recreation and library facilities, their fair share can be evaluated at that time.

3. Annual reviews may be performed to evaluate performance of the program and to consider the continuing commitments related to the completion of needed facilities. Project costs and assessments shall be evaluated for all portions of the program.

4. The developer, or permittee, shall pay the FBA as a condition of obtaining building permits.

5. A developer, or group of developers, may propose to build or improve an FBA funded facility that is identified in the Capital Improvements Program. Upon City Council approval, the developer(s) may enter into an agreement to provide the facility in lieu of, or as credit against the payment of an FBA, provided that adequate funds are available in the FBA fund. The amount and timing of the credit being sought by the developer(s) must coincide with the expenditure of funds depicted on the CIP sheet for the respective project. Should the approved, final cost of the facility exceed the amount of credit being sought by the developer(s), the developer(s) may be reimbursed from the FBA fund for the difference, subject to the approved reimbursement agreement and the availability of funds. If two developers are entitled to cash reimbursement during the same fiscal year, then the first agreement to be approved by the City Council shall take precedence over subsequent agreements approved by the City Council.

6. As FBA assessments are collected, they shall be placed in a City fund that provides interest earnings for the benefit of Del Mar Mesa.

7. At the time of building permit issuance, an FBA credit will be provided in the amount of any "Park Fees" collected pursuant to Sections 96.0403 and 102.0406.06.01 of the San Diego Municipal Code (adopted by Council Resolution R-261231 on July 23, 1984) because the FBAs shown in this Financing Plan provide for 100% funding of the acquisition and improvement costs addressed in the above referenced Municipal Code sections.

8. The Development Schedule, shown in Table 1 on page 4, is an estimated schedule and is based on the latest information available at the time this Financing Plan was adopted. Future approvals and/or modifications of precise plans and/or discretionary permit applications may either increase or decrease the extent of development proposed within Del Mar Mesa.

9. Most public facilities identified in the Financing Plan are either "population based" or "transportation based". The estimated year(s) in which funds are budgeted for a given project should not be considered as a binding commitment that the project would actually be constructed in that year. With each annual update, actual permit activity and corresponding population projections, coupled with additional traffic study information obtained since the last update, will be evaluated to determine the most appropriate year in which to budget the need for each remaining project. As such, the budgeted year for a given project is subject to change with each update to the Financing Plan.

10. An FBA shall be paid by all categories of private development, including affordable housing projects.

Developer Advance

It is anticipated that a number of the projects, which have been identified as being FBA-funded, are to be constructed by developers in Del Mar Mesa. Subject to the terms of a reimbursement agreement, a developer may actually start construction of a project before there are sufficient FBA funds available to provide either cash reimbursement or credit against the developer's obligation to pay an FBA. In other words, the "need" for the project may occur before there are FBA funds available to cover the cost of the project. Additionally, a developer may have accumulated credits from one or more other FBA-funded projects such that the developer is unable to use credits as fast as they have been earned. In these cases, the CIP project sheets will show the fiscal year in which it is anticipated that the developer will advance the cost of the project, also known as a **Developer Advance** (DEV. ADVANCE).

The project sheet will indicate the fiscal year in which it is anticipated that funds will be available to reimburse or when the developer would take credits against their obligation to pay an FBA. Subject to the availability of funds, the year(s) in which reimbursement or credit for the Developer Advance occurs may be accelerated to the fiscal year in which the Developer Advance is extended.

Contributions by the City

Contributions made by the City or other public entity toward the cost of facilities are specified in the individual Capital Improvement Project sheets following Table 9, and beginning on page 33.

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